

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 H-01 INR-07 L-03
NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06
TRSE-00 EB-08 AGRE-00 SIL-01 LAB-04 COME-00 OMB-01
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R 211631Z SEP 77
FM AMEMBASSY LISBON
TO SECSTATE WASHDC 3122
INFO AMEMBASSY BONN
AMEMBASSY LONDON
AMEMBASSY MADRID
AMEMBASSY MOSCOW
AMCONSUL OPORTO
AMEMBASSY PARIS
AMCONSUL PONTA DELGADA
USMISSION NATO
DIA WASHDC
USCINCEUR VAIHINGEN GER

C O N F I D E N T I A L SECTION 1 OF 2 LISBON 7341

E.O. 11652: XGDS-3
TAGS: PGOV, PINT, PO
SUBJECT: PS INSIDER SEES STRONGER PRESIDENTIAL ROLE

REF: LISBON 7253

SUMMARY: THE SOCIALISTS, ACCORDING TO PS INSIDER ANTONIO REIS, LOOK TO THE NEWLY CREATED PRESIDENTIAL ECONOMIC WORKING GROUP AS A VEHICLE FOR BRINGING THE OPPOSITION PARTIES INTO LINE BEHIND AN EMERGENCY PLATFORM. BUT THE PRESIDENT HAS HIS OWN IDEAS AND WILL UNDOUBTEDLY USE THE WORKING GROUP TO APPLY PRESSURE UPON THE SOCIALISTS AS WELL AS THE OPPOSITION PARTIES

1. AT A SEPTEMBER 20 MEETING WITH POLITICAL COUNSELOR,
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SOCIALIST PARTY INSIDER ANTONIO REIS MADE THE FOLLOWING
COMMENTS:

(A) PS STRATEGY: THE SOCIALIST PARTY LOOKS TO THE NEWLY-CREATED PRESIDENTIAL ECONOMIC WORKING GROUP TO UNBLOCK THE CURRENT SITUATION. BOTH THE PRESIDENT AND THE SOCIALISTS SEE THE WORKING GROUP AS THE VEHICLE FOR

BRINGING THE SOCIAL DEMOCRATS INTO LINE BEHIND AN EMERGENCY PLATFORM FOR DEALING WITH THE COUNTRY'S ECONOMIC PLIGHT. THE WORKING GROUP INCLUDES:

- THREE INDEPENDENT ECONOMISTS TO THE RIGHT OF THE SOCIALISTS: JACINTO NUNES, JOAO SALGUEIRO AND SILVA LOPES.
- TWO SOCIALISTS: SOUSA GOMES AND VITOR CONSTANCIO.
- AND AN OPENING TO THE LEFT: JOAO CRAVINHO.

THE SOCIALISTS BELIEVE THAT, IN THE END, THE PRESIDENT WILL HAVE TO INTERVENE DIRECTLY TO PUT THE EMERGENCY ECONOMIC PROGRAM ACROSS. IT WILL BE ACCOMPANIED BY CHANGES IN THE CABINET, INCLUDING KEY MEMBERS OF THE ECONOMIC TEAM. SOME MEMBERS OF THE PRESIDENTIAL WORKING GROUP MAY END UP WITH KEY ECONOMIC PORTFOLIOS.

(B) ALTERNATIVES: SHOULD THE WORKING GROUP EFFORT FAIL TO PRODUCE A SOLUTION, THE PS GOVERNMENT WOULD LIKELY FALL. THE RESULT, ACCORDING TO REIS, WOULD BE:

- EITHER ELECTIONS, WHICH NO ONE INCLUDING THE COMMUNISTS WANTS. ELECTIONS WOULD ONLY ACCENTUATE ECONOMIC DIFFICULTIES AND ACCELERATE THE DOWNWARD SLIDE.
- OR PRESIDENTIAL GOVERNMENT. UNDER THIS OPTION SOARES WOULD STEP DOWN AS PRIME MINISTER AND BE REPLACED BY A CIVILIAN INDEPENDENT -- REIS MENTIONED COMMERCE MINISTER MOTO PINTO AS A POSSIBILITY-- PERHAPS WITH A MILITARY MAN SUCH AS FIRMINO MIGUEL AS VICE PRIME MINISTER IN CHARGE OF THE DEFENSE AND INTERIOR MINISTRIES. THIS IS THE

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SOLUTION FAVORED BY THE SO-CALLED "EANISTAS." BUT IT IS NOT THE OPTION FAVORED BY THE PRESIDENT'S FRIENDS. THEY KNOW THAT IT WOULD MAKE THE PRESIDENT DIRECTLY RESPONSIBLE FOR GOVERNMENT DECISIONS AND EXPOSE HIM POLITICALLY.

(C) PCP STRATEGY: REIS SAID THAT RECENT CONVERSATIONS WITH PCP LEADERS CARLOS BRITO AND VIEGA DE OLIVEIRA REINFORCED HIS VIEW THAT THE COMMUNISTS WOULD NOT EMBARK UPON A SCORCHED-EARTH STRATEGY. THEY WANTED POWER BUT THEY REALIZED THAT THEY WOULD HAVE AS MUCH TO LOSE AS ANYONE BY A RETURN TO REPRESSION. THE COMMUNISTS LOOK FOR A FORM OF UNDERSTANDING WHICH WOULD GIVE THEM SOME MINIMUM CONCESSIONS.

- ON THE POLITICAL/IDEOLOGICAL SIDE THEY SEEK SOME GENERAL REAFFIRMATION OF "REVOLUTIONARY PRINCIPLES." THEY WOULD BE SATISFIED WITH SOME RHETORICAL REFERENCES ON THE

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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 7341

PURPOSES OF AGRARIAN REFORM AND NATIONALIZATIONS. THEIR
MINIMUM OBJECTIVE IS TO CONTINUE TO POINT GOP POLICIES
TOWARD COLLECTIVE GOALS.

-- ON THE SOCIO/ECONOMIC SIDE THEY WANT TO PROTECT
THEIR POSITION IN THE TRADE UNION MOVEMENT. THEY WOULD
PROBABLY ACCEPT REFERENCES IN THE EMERGENCY PROGRAM TO
GROWTH LEVELS, EMPLOYMENT TARGETS, AND STANDARDS FOR
SOCIAL SERVICES.

REIS STRESSED THAT HE HAD NO ILLUSIONS AS TO THE ULTIMATE
PCP OBJECTIVE BUT HE THOUGH SOMETHING MIGHT BE WORKED
OUT WITH THE COMMUNISTS UNDER THE STIMULUS OF STRONG
PRESIDENTIAL PRESSURES. THE PCP FOR ITS PART WOULD LIKE
NOTHING BETTER THAN A PLATFORM OF UNDERSTANDING WHICH
GAVE THEM SOMETHING, ALMOST ANYTHING, WHILE EXCLUDING THE
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(D) WORKERS BROTHERHOOD NOT A THREAT: THE REFERENCE
TO THE WORKERS BROTHERHOOD IN THE STATEMENT FOLLOWING
THE WEEKEND PS NATIONAL SECRETARIAT MEETING IS THE

PRELUDE TO A SHOWDOWN WITH PS MEMBERS STILL ACTIVE IN LOPES CARDOSO'S ORGANIZATION. EACH MEMBER WILL BE SENT A LETTER IN THE NEAR FUTURE SPECIFYING A PERIOD WITHIN WHICH THEY MUST MAKE THEIR OPTION EITHER FOR THE SOCIALIST PARTY OR FOR THE WORKERS BROTHERHOOD. A NON-RESPONSE WILL BE CONSIDERED AN OPTION IN FAVOR OF THE WORKERS BROTHERHOOD. AN EQUIVOCAL RESPONSE WILL TRIGGER FORMAL DISCIPLINARY PROCEDURES LIKELY TO RESULT IN EXPULSION. THE WORKERS BROTHERHOOD, DESPITE THE "FULL ATTENDANCE" REPORTED AT ITS RECENT MEETINGS, HAS HAD NO MAJOR IMPACT AMONG THE PS RANK AND FILE. ITS MEETINGS ARE PACKED WITH PCP MEMBERS AND ASSORTED LEFT-WING HANGERS-ON. PS MEMBERS MAY BE UNHAPPY WITH THEIR PARTY'S LEADERSHIP AND THE PERFORMANCE OF THE GOVERNMENT, BUT THEY ARE EVEN MORE UNHAPPY WITH THOSE WHO CLAIM TO BE SOCIALIST WHILE MOUNTING AN ORGANIZED ATTACK ON THE PARTY AND ITS LEADERS.

2. COMMENT: REIS SPEAKS AUTHORITATIVELY FOR HIS PARTY. HE MAINTAINS GOOD CONTACTS WITH THE PCP, AS WELL AS BEING A FRIEND OF THE PRESIDENT ON WHOSE CAMPAIGN COMMITTEE HE SERVED. REIS READILY ACKNOWLEDGES THAT THE SOCIALISTS CANNOT PUT ACROSS AN EMERGENCY ECONOMIC PROGRAM WITHOUT PRESIDENTIAL INTERVENTION. FOR THEIR PART THE OPPOSITION PARTIES HAVE NO DESIRE TO BE HELD PUBLICLY ACCOUNTABLE FOR FURTHER UNPOPULAR AUSTERITY MEASURES. THEY ARE UNDERSTANDABLY CONCERNED ABOUT THE PURPOSES OF THE WORKING GROUP. THE PSD, STILL IN A STRONG BARGAINING POSITION BUILDING UPON THE RESULTS OF THE RECENT LEGISLATIVE ASSEMBLY SESSION, WERE QUICK TO NOTE THE ABSENCE OF ANY PSD MEMBERS AMONG

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THE GROUP ECONOMISTS. THE SOCIAL DEMOCRATS ARE CURRENTLY PROBING THE PURPOSES OF THE GROUP. AS IF UNDERSCORING THE POINT, AT THE SAME RESTAURANT WHERE THE ABOVE CONVERSATION TOOK PLACE, PSD VICE PRESIDENT MAGALHAES MOTA WAS ENGAGED IN ANIMATED CONVERSATION AT A CORNER TABLE WITH WORK GROUP MEMBER JOAO SALGUEIRO.

3. THE PRESIDENT, AT WHOSE INITIATIVE THE ECONOMIC WORKING GROUP WAS FORMED, DOES NOT NECESSARILY VIEW ITS PURPOSE IN THE SAME WAY AS THE SOCIALISTS. HE WILL UNDOUBTEDLY USE IT TO APPLY ADDITIONAL PRESSURE UPON THE SOCIALISTS AS WELL AS THE OPPOSITION PARTIES TO TAKE FURTHER STEPS TOWARD ECONOMIC RECOVERY.

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